

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

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**CITY OF BELLEVUE
BELLEVUE, IOWA**

OFFICIALS

Name	Title	Term Expires
(Before January 2007 Election)		
Virgil Murray	Mayor	January 2008
Roger Michels	Council Member	January 2010
Willard Meyer	Council Member	January 2010
Michael Dempewolf (on military leave)	Council Member	January 2008
Tim Roth	Council Member	Filling in for Dempewolf
Frank Frieburg	Council Member	January 2010
Lucy Zeimet	Council Member	January 2008
Loras Herrig	Administrator	July 2007
Janet Callaghan	City Clerk	July 2007
Mark Lawson	Attorney	July 2007
(After January 2007 Election)		
Virgil Murray	Mayor	January 2008
Roger Michels	Council Member	January 2010
Willard Meyer	Council Member	January 2010
Michael Dempewolf (On military leave)	Council Member	January 2008
Tim Roth	Council Member	Filling in for Dempewolf
Gary Feuerbach	Council Member	January 2010
Lucy Zeimet	Council Member	January 2008
Loras Herrig	Administrator	July 2008
Janet Callaghan	City Clerk	July 2008
Mark Lawson	Attorney	July 2008

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA
W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
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P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Bellevue's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bellevue as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2008, on our consideration of the City of Bellevue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellevue's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
May 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellevue provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts included \$642,154 in property tax, \$51,096 in TIF, \$168,422 in local option tax, \$195,860 in road use tax, and \$93,161 in interest.
- Disbursements increased 64.2% in fiscal 2007 from fiscal 2006, a total of \$2,999,043. Disbursements in governmental activities increased 92.3%, a total of \$1,699,436, while proprietary expenditures increased \$1,299,607 or 45.9%.
- The City's total cash basis net assets decreased \$40,584 or 2.5% from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased \$260,195 and the assets of the business type activities increased \$219,611.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and proprietary funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer, electric, garbage, ambulance service, and cable television. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund; 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains ten Enterprise Funds to provide separate information for the water, sewer, electric, garbage, ambulance, cable television, and customer deposits funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$674,447 to \$414,252. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program Receipts:		
Charges for services	57,267	57,647
Operating grants, contributions and restricted interest	240,159	277,432
Capital grants, contributions and restricted interest	44,195	88,765
General Receipts:		
Property tax	642,154	546,571
Tax increment financing	51,096	76,502
Local option sales tax	168,422	144,020
Unrestricted investment earnings	40,575	29,181
Note proceeds	1,929,580	200,000
Other general receipts	32,864	61,314
Transfers, net	73,777	290,243
Total receipts and transfers	3,280,089	1,771,675
Disbursements:		
Public safety	401,721	383,556
Public works	2,058,014	576,783
Culture and recreation	274,190	273,144
Community and economic development	6,987	10,055
General government	358,703	397,234
Debt service	440,669	200,076
Capital projects	0	0
Total disbursements	3,540,284	1,840,848
Increase (decrease) in cash basis net assets	(260,195)	(69,173)
Cash basis net assets beginning of year	674,447	743,620
Cash basis net assets end of year	414,252	674,447

Total receipts for the City's governmental activities increased by 85.1%, or \$1,508,414. The total cost of all programs and services increased 92.3%, or \$1,699,436. The increase in receipts was caused by a number of things. Property taxes increased almost \$96,000. This was the result of increased valuations from new construction and an increased tax rate. Interest on the city's investments also generated an increase of \$11,000. The City also borrowed an additional \$1,920,330 for two street improvement projects, 7th Street and 12th Street.

The increase in expenditures was also caused by a variety of different issues. The cost of public safety increased approximately \$18,000 due to increased operating costs. The largest part of the increase came in public works with an additional expenditure of \$1.5 million for street improvements. A decrease of almost \$40,000 occurred in the general government area. This was the result of decreased operating costs.

The cost of all governmental activities this year was \$3,540,284 compared to \$1,840,848 last year. This is the result of major street improvement projects including 7th and 12th Street improvements.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts:		
Program receipts:		
Charge for services:		
Water	291,648	247,211
Electric	1,613,812	1,604,815
Sewer rental	398,995	403,193
Sanitation	259,818	245,666
Ambulance	92,923	70,667
Cable TV	439,262	412,299
Operating grants, contributions and restricted interest	7,200	7,200
Capital grants, contributions and restricted interest	24,168	15,893
General receipts:		
Unrestricted interest on investments	52,586	34,499
Miscellaneous	145,352	49,649
Proceeds of debt	<u>1,100,000</u>	<u>160,000</u>
Total receipts	<u>4,425,764</u>	<u>3,251,092</u>
Disbursements and transfers:		
Water	227,936	107,233
Electric	1,604,273	1,332,152
Sewer rental	344,807	352,721
Sanitation	235,216	220,091
Ambulance	70,419	183,866
Cable TV	1,641,555	630,343
Customer's deposits	8,170	6,363
Transfers, net	<u>73,777</u>	<u>290,243</u>

Changes in Cash Basis Net Assets of Business Type Activities (Continued)

Total disbursements and transfers	<u>4,206,153</u>	<u>3,123,012</u>
Increase (decrease) in cash basis net assets	219,611	128,080
Cash basis net assets beginning of year	<u>927,838</u>	<u>799,758</u>
Cash basis net assets end of year	<u>1,147,449</u>	<u>927,838</u>

Total business type activities receipts for the fiscal year were \$4,425,764 compared to \$3,251,092 last year. The increase was due primarily to loans received for the telecommunications project.

Total disbursements and transfers for the fiscal year were \$4,206,153 compared to \$3,123,012 last year. The increase was due primarily to the telecommunications project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bellevue completed the year, its governmental funds reported a combined fund balance of \$414,252, a decrease of \$260,195 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the previous year.

- The General Fund cash balance decreased as a result of increased utilization of previously accumulated reserves rather than increasing taxes.
- The TIF District Fund cash balance increased as a result of street improvements.
- The LOT Street Improvement Fund cash balance decreased because of the major improvement projects.
- The Debt Service Fund cash balance remained relatively unchanged.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased from \$234,425 to \$291,587. This resulted from increased rates. The increase was done in anticipation of major water repairs that will occur in the future.
- The Electric Fund cash balance decreased from \$487,618 to \$406,825. A proposed rate increase will offset increased pricing for electricity purchases.
- The Electric-Capital Equipment Fund cash balance increased from \$50,204 to \$118,133. The Utility Board plans to gradually bring this balance up to historical levels.

- The Sewer Fund cash balance increased from \$94,146 to \$134,806. This fund continues to grow slowly in anticipation of future repairs to an aging collection system.
- The Sewer Capital Fund cash balance remained relatively unchanged.
- The Cable TV Fund cash balance increased from \$(5,132) to \$72,413. This fund will remain low as a massive rebuild is completed to the system in the next two years.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 31, 2007 to provide for additional disbursements for city projects.

DEBT ADMINISTRATION

At June 30, 2007, the city had \$4,901,365 in long-term debt, compared to \$2,374,098 last year, as shown below. The increase is the result of street improvement and telecommunications debt.

Outstanding Debt at Year-end

	June 30,	
	2007	2006
General obligation notes	2,206,835	605,479
Revenue bonds	2,190,000	1,200,000
Other obligations	504,530	568,619
Total	<u>4,901,365</u>	<u>2,374,098</u>

Normal payments were made on all existing notes.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,206,835 is significantly below its constitutional debt limit of \$4,881,608.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2008. Total revenues anticipated are \$6,173,860, a decrease from 2007 where total actual revenues were \$7,632,076. Property tax revenue is expected to decrease from \$642,154 to \$632,723. Expenditures are projected to total \$6,292,766. If all projections are realized, the City's cash balance is expected to decrease to \$1,073,006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Loras Herrig, City Administrator, 106 N. Third Street, Bellevue IA 52031 or 563-872-4456.

**BASIC
FINANCIAL
STATEMENTS**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets								
Functions/Programs:	Program Receipts				Primary Government			Component Unit
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
Public safety	\$ 401,721	\$ 6,614	\$ 19,729	\$ 38,070	\$ (337,308)	\$ ---	\$ (337,308)	\$ ---
Public works	2,058,014	---	197,988	---	(1,860,026)	---	(1,860,026)	---
Culture and recreation	274,190	36,132	22,442	6,125	(209,491)	---	(209,491)	---
Community and economic development	6,987	---	---	---	(6,987)	---	(6,987)	---
General government	358,703	14,521	---	---	(344,182)	---	(344,182)	---
Debt service	440,669	---	---	---	(440,669)	---	(440,669)	---
Total Governmental Activities	\$ 3,540,284	\$ 57,267	\$ 240,159	\$ 44,195	\$ (3,198,663)	\$ ---	\$ (3,198,663)	\$ ---
Business Type Activities:								
Water	\$ 227,936	\$ 291,648	\$ ---	\$ ---	\$ ---	\$ 63,712	\$ 63,712	\$ ---
Electric	1,604,273	1,613,812	---	---	---	9,539	9,539	---
Sewer rental	139,219	398,995	---	---	---	259,776	259,776	---
Sewer capital	205,588	---	---	---	---	(205,588)	(205,588)	---
Sanitation	235,216	259,818	---	---	---	24,602	24,602	---
Ambulance	70,419	92,923	7,200	24,168	---	53,872	53,872	---
Cable TV	1,641,555	439,262	---	---	---	(1,202,293)	(1,202,293)	---
Customer deposits	8,170	---	---	---	---	(8,170)	(8,170)	---
Total Business Type Activities	\$ 4,132,376	\$ 3,096,458	\$ 7,200	\$ 24,168	\$ ---	\$ (1,004,550)	\$ (1,004,550)	\$ ---
Total Primary Government	\$ 7,672,660	\$ 3,153,725	\$ 247,359	\$ 68,363	\$ (3,198,663)	\$ (1,004,550)	\$ (4,203,213)	\$ ---
Component Unit:								
BETA	\$ 30	\$ ---	\$ ---	\$ ---				\$ (30)

See notes to financial statements.

EXHIBIT "A" (Continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Services	Operating Grants & Contributions	Primary Government		Component Unit
				Governmental Activities	Business Type Activities	Total
General Receipts:						
Property tax levied for:				\$ 539,653	\$ ---	\$ 539,653
General purposes				51,096	---	51,096
Tax increment financing				102,501	---	102,501
Debt service				168,422	---	168,422
Local option sales tax				6,487	---	6,487
Other city tax				40,575	---	40,575
Unrestricted interest on investments				---	52,586	93,161
Interfund debt repayment				---	64,089	64,089
Miscellaneous				26,377	81,263	107,640
Proceeds of debt				1,929,580	1,100,000	3,029,580
Transfers				73,777	(73,777)	---
Total General Receipts and Transfers				\$ 2,938,468	\$ 1,224,161	\$ 4,162,629
Change in Cash Basis Net Assets				\$ (260,195)	\$ 219,611	\$ (40,584)
Cash Basis Net Assets Beginning of Year				674,447	927,838	1,602,285
Cash Basis Net Assets End of Year				\$ 414,252	\$ 1,147,449	\$ 1,561,701
Cash Basis Net Assets:						
Restricted:						
Streets				\$ 92,192	\$ ---	\$ 92,192
Urban renewal purposes				21,467	---	21,467
Debt service				23,328	---	23,328
Unrestricted				277,265	1,147,449	1,424,714
Total Cash Basis Net Assets				\$ 414,252	\$ 1,147,449	\$ 1,561,701
See notes to financial statements.						\$ 118,610

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	General	TIF District	LOT - Street Improvement	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:						
Property tax	\$ 430,586	\$ ---	\$ ---	\$ 102,501	\$ 109,067	\$ 642,154
Tax increment financing collections	---	51,096	---	---	---	51,096
Other city tax	84,211	---	84,211	---	---	168,422
Licenses and permits	13,421	---	---	---	---	13,421
Use of money and property	23,292	11,728	6,207	798	5,997	48,022
Intergovernmental	58,048	---	2,128	---	195,860	256,036
Charges for services	35,284	---	---	---	---	35,284
Miscellaneous	20,238	---	7,757	---	34,302	62,297
Total Receipts	\$ 665,080	\$ 62,824	\$ 100,303	\$ 103,299	\$ 345,226	\$ 1,276,732
Disbursements:						
Operating:						
Public safety	\$ 399,216	\$ ---	\$ ---	\$ ---	\$ 2,505	\$ 401,721
Public works	69,862	1,525,403	223,014	---	239,735	2,058,014
Culture and recreation	260,534	---	---	---	13,656	274,190
Community and economic development	6,987	---	---	---	---	6,987
General government	358,703	---	---	---	---	358,703
Debt service:						
Principal	---	---	---	317,313	---	317,313
Interest and fiscal charges	---	---	---	72,390	---	72,390
Developer agreements	---	50,966	---	---	---	50,966
Total Disbursements	\$ 1,095,302	\$ 1,576,369	\$ 223,014	\$ 389,703	\$ 255,896	\$ 3,540,284
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (430,222)	\$ (1,513,545)	\$ (122,711)	\$ (286,404)	\$ 89,330	\$ (2,263,552)

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	General	TIF District	LOT - Street Improvement	Debt Service	Other Nonmajor Governmental Funds	Total
Other Financing Sources (Uses):						
Proceeds of debt	\$ ---	\$ 1,850,000	\$ 79,580	\$ ---	\$ ---	\$ 1,929,580
Operating transfers in	435,773	---	---	285,085	---	720,858
Operating transfers out	(293,828)	(222,297)	(18,960)	---	(111,996)	(647,081)
Total Other Financing Sources (Uses)	\$ 141,945	\$ 1,627,703	\$ 60,620	\$ 285,085	\$ (111,996)	\$ 2,003,357
Net Change in Cash Balances	\$ (288,277)	\$ 114,158	\$ (62,091)	\$ (1,319)	\$ (22,666)	\$ (260,195)
Cash Balances Beginning of Year	494,467	(92,691)	154,283	24,647	93,741	674,447
Cash Balances End of Year	\$ 206,190	\$ 21,467	\$ 92,192	\$ 23,328	\$ 71,075	\$ 414,252
Cash Basis Fund Balances:						
Unreserved:						
Designated for:						
Tennis courts	\$ 10,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ 10,000
General fund	196,190	---	---	---	---	196,190
Special revenue funds	---	21,467	92,192	---	54,130	167,789
Debt service fund	---	---	---	23,328	---	23,328
Capital projects fund	---	---	---	---	16,945	16,945
Total Cash Basis Fund Balances	\$ 206,190	\$ 21,467	\$ 92,192	\$ 23,328	\$ 71,075	\$ 414,252

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

Enterprise Funds

	Water	Electric	Electric- Capital Equipment	Sewer Rental	Sewer Capital	Cable TV	Other Nonmajor Enterprise Funds	Total
Operating Receipts:								
Use of money and property	\$ ---	\$ 3,518	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,518
Charges for service	291,648	1,613,812	---	398,995	---	439,262	352,741	3,096,458
Miscellaneous	5,729	43,237	---	5,225	---	6,015	17,539	77,745
Total Operating Receipts	\$ 297,377	\$ 1,660,567	\$ ---	\$ 404,220	\$ ---	\$ 445,277	\$ 370,280	\$ 3,177,721
Operating Disbursements:								
Business type activities	\$ 187,936	\$ 1,604,273	\$ ---	\$ 139,219	\$ ---	\$ 1,605,460	\$ 313,805	\$ 3,850,693
Excess(Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ 109,441	\$ 56,294	\$ ---	\$ 265,001	\$ ---	\$ (1,160,183)	\$ 56,475	\$ (672,972)
Non-Operating Receipts (Disbursements):								
Intergovernmental	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,200	\$ 7,200
Interest on investments	12,190	25,047	3,840	4,915	2,597	440	3,557	52,586
Contributions	---	---	---	---	---	---	24,168	24,168
Interfund debt repayments	---	---	64,089	---	---	---	---	64,089
Debt service:								
Principal	(40,000)	---	---	---	(145,000)	---	---	(185,000)
Interest and fiscal charges	---	---	---	---	(60,588)	(36,095)	---	(96,683)
Total Non-Operating Receipts (Disbursements)	\$ (27,810)	\$ 25,047	\$ 67,929	\$ 4,915	\$ (202,991)	\$ (35,655)	\$ 34,925	\$ (133,640)

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds						Other Nonmajor	
	Water	Electric	Electric-Capital Equipment	Sewer Rental	Sewer Capital	Cable TV	Enterprise Funds	Total
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 81,631	\$ 81,341	\$ 67,929	\$ 269,916	\$ (202,991)	\$ (1,195,838)	\$ 91,400	\$ (806,612)
Other Financing Sources (Uses):								
Proceeds of debt	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,100,000	\$ ---	\$ 1,100,000
Operating transfers in	---	---	---	---	204,787	250,000	---	454,787
Operating transfers out	(24,469)	(162,134)	---	(229,256)	---	(76,617)	(36,088)	(528,564)
Total Other Financing Sources (Uses)	\$ (24,469)	\$ (162,134)	\$ ---	\$ (229,256)	\$ 204,787	\$ 1,273,383	\$ (36,088)	\$ 1,026,223
Net Change in Cash Balances	\$ 57,162	\$ (80,793)	\$ 67,929	\$ 40,660	\$ 1,796	\$ 77,545	\$ 55,312	\$ 219,611
Cash Balances Beginning of Year	234,425	487,618	50,204	94,146	2,699	(5,132)	63,878	927,838
Cash Balances End of Year	\$ 291,587	\$ 406,825	\$ 118,133	\$ 134,806	\$ 4,495	\$ 72,413	\$ 119,190	\$ 1,147,449
Cash Basis Fund Balances:								
Unreserved	\$ 291,587	\$ 406,825	\$ 118,133	\$ 134,806	\$ 4,495	\$ 72,413	\$ 119,190	\$ 1,147,449

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies:

The City of Bellevue is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides, water, sewer, electric, sanitation, and cable T.V. utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Bellevue, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Bellevue (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Bellevue Economic and Tourism Association (BETA) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. BETA is governed by a five-member board, two of which are appointed by the City Council. See Note 13 for additional information regarding BETA.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jackson County Assessor's Conference Board, Jackson County Joint E911 Service Board, Bellevue Economic Tourism Association, and East Central Intergovernmental Association.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Principles: (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The TIF District Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax – Street Improvement Fund is used for street improvements and associated costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Electric Capital Equipment Fund is used to account for capital improvements relating to the City's enterprise funds.

The Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Principles: (Continued)

B. Basis of Presentation (Continued)

The Sewer Capital Fund accounts for the payment of principal and interest on the sewer improvement notes.

The Cable TV Fund is used to account for the operation and maintenance of the City's cable television system.

C. Measurement Focus and Basis of Accounting

The City of Bellevue maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resource to such programs followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 2 - Cash and Pooled Investments:

The City's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Note 3 - Notes Payable:

Annual debt service requirements to maturity for general obligation notes, revenue notes, and tax increment financing notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes	
	Principal	Interest	Principal	Interest
2008	\$ 316,192	\$ 89,966	\$ 134,680	\$ 109,684
2009	335,113	77,436	222,110	107,121
2010	276,163	64,522	232,902	95,809
2011	251,163	53,315	244,022	83,814
2012	203,204	42,689	260,490	71,171
2013-2017	825,000	89,508	1,013,066	159,977
2018	---	---	82,730	2,314
	<u>\$ 2,206,835</u>	<u>\$ 417,436</u>	<u>\$2,190,000</u>	<u>\$ 629,890</u>

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 3 - Notes Payable: (Continued)

Year Ending June 30,	Other Obligations		Total	
	Principal	Interest	Principal	Interest
2008	\$ 64,089	\$ ---	\$ 514,961	\$ 199,650
2009	64,089	---	621,312	184,557
2010	64,089	---	573,154	160,331
2011	64,089	---	559,274	137,129
2012	64,089	---	527,783	113,860
2013-2017	184,085	---	2,022,151	249,485
2018	---	---	82,730	2,314
	<u>\$ 504,530</u>	<u>\$ ---</u>	<u>\$4,901,365</u>	<u>\$1,047,326</u>

Following is a summary of the terms and conditions of the notes outstanding as of June 30, 2007.

Revenue Notes:

On February 1, 1999, the City entered into a loan agreement with Ruan Securities Corporation and provided for issuance of \$1,700,000 in Sewer Revenue Notes.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity of the Sanitary Sewer System and the note holders hold a lien on the future earnings of the fund.
- (b) Net revenues of the Utility will be collected in a sinking fund for the purpose of making the note principal and interest payments when due.

On December 5, 2005, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$750,000 in Telecommunications Utility Revenue Notes. As of June 30, 2007, \$630,000 had been advanced under this note.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 3 - Notes Payable: (Continued)

The resolutions providing for the issuance of the revenue notes include the following provision:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity of the Cable TV System and the note holders hold a lien on the future earnings of the fund.

On December 5, 2005, the City entered into a loan agreement with Iowa Bank and provided for issuance of \$750,000 in Telecommunications Utility Revenue Notes. As of June 30, 2007, \$630,000 had been advanced under this note.

The resolutions providing for the issuance of the revenue notes include the following provision:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity of the Cable TV System and the note holders hold a lien on the future earnings of the fund.

General Obligation Notes:

On May 10, 1999, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Corporate Purpose Notes.

On January 1, 2000, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$400,000 in General Obligation Sewer Improvement Notes.

On July 23, 2001, the City entered into a loan agreement with Maquoketa Valley Electric Cooperative and provided for issuance of \$102,467 in General Obligation Corporate Purpose Notes.

On December 29, 2003, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Community/Senior Center Notes.

On August 15, 2005, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Street Improvement Notes.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 3 - Notes Payable: (Continued)

On August 1, 2006, the City entered into a loan agreement with Iowa Bank and provided for the issuance of \$79,580 in General Obligation Street Equipment Notes.

On September 1, 2006, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$1,850,000 in General Obligation Corporate Purpose Notes.

Other Obligations:

On February 1, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$240,886 expended for municipal water and sewer improvements for an area annexed on the northerly city limits of Bellevue. This amount will be repaid in annual installments of \$24,089 with the final payment due June 1, 2014.

On June 30, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$400,000 expended for municipal wells. This amount will be repaid in annual installments of \$40,000 with the final payment due December 1, 2015.

Note 4 - Pension and Retirement Benefits:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$58,899, \$54,224, and \$51,592, respectively, equal to the required contributions for each year.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 5 - Development Agreements:

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate the incremental tax paid by the developer in exchange for the construction of buildings, housing, and certain infrastructure by the developers. The obligations under several of the agreements are not subject to annual appropriation by the City Council; however, the amount of the City's obligation cannot be determined.

These agreements require the City to rebate all of the incremental tax for a period not to exceed 10 years with no predetermined maximum amount to be paid. The City has rebated a total of \$234,554 of incremental tax under these agreements. Of this amount, \$49,839 was paid during the current year. The obligation under the other agreement is subject to annual appropriation by the City Council. The total to be paid by the City under this agreement is not to exceed \$28,808. Payments of \$2,279 had been paid on this agreement at June 30, 2007.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

Note 6 - 28 E Agreements:

Communications Services -

On May 23, 1983, the City entered into a 28E Agreement with the City of Maquoketa. The agreement is for the purpose of providing the City of Bellevue with communication services for law enforcement and community protection purposes.

Community Protection Services -

On May 27, 1986, the City entered into a 28E Agreement with the Cities of Maquoketa, Preston, and Sabula. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 24, 1990, the City entered into a 28E Agreement with Jackson County. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 28, 1999, the City entered into a 28E Agreement with the Bellevue Rural Fire Agency of Jackson County. The agreement is for the purpose of providing more efficient fire protection.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 6 - 28 E Agreements: (Continued)

Landfill Operation -

In 1971 the City entered into a 28E Agreement with other Jackson County communities. The agreement is for the purpose of providing more efficient landfill operations.

Contract Law Enforcement -

In 2007, the City renewed its 28E Agreement with the Corp. of Engineers to provide increased law enforcement services during the period of May 12 - September 14, 2007 for the Pleasant Creek Recreation Area, Mississippi River Project.

Note 7 - 28 D Agreement:

Drug Task Force -

In 1997, the City entered into a 28D Agreement with various Jackson County and Jones County law enforcement agencies. The purpose of the agreement is to recognize the guidelines, terms and conditions set forth in the Iowa Code Chapter 28D relating to the interchange of federal, state, and local government employees in regards to the above 28E Drug Task Force Agreement.

Note 8 - Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and personal leave accumulates but is not payable upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation leave termination payments payable to employees at June 30, 2007, primarily relating to the General and Utility Funds, is as follows:

Type of Benefit	Amount
-----	-----
Vacation	\$ 67,710
	=====

The liability has been computed based on rates of pay as of June 30, 2007.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to -----	Transfer from -----	Amount -----
General	Special Revenue: Employee Benefits	\$ 111,996
	Enterprise:	
	Water	24,469
	Electric	162,134
	Sewer Rental	24,469
	Sanitation	27,066
	Ambulance	9,022
	Cable TV	76,617

		\$ 435,773

Debt Service	General	\$ 43,828
	Special Revenue:	
	TIF-District	222,297
	LOT-Street Improvement	18,960

		\$ 285,085

Enterprise:	Enterprise:	
Sewer Capital	Sewer Rental	\$ 204,787
Cable TV	General	250,000

Total		\$1,175,645
		=====

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move "in lieu of tax" payments from the enterprise funds, and (4) provide capital contributions.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 10 - Risk Management:

The City of Bellevue is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$97,590.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 10 - Risk Management: (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 11 - Construction in Progress:

In fiscal year 2006, the City entered into two contracts totaling \$1,452,580 for street projects. Change orders reduced the contracts by \$47,514. At June 30, 2007, payments of \$1,353,777 had been made on the contracts.

Note 12 - Deficit Fund Balance:

The Special Revenue, Road Use Tax Fund had a deficit balance of \$8,090 at June 30, 2007. The deficit balance is a result of costs incurred prior to receipt of road use taxes.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 13 - Component Unit:

The Bellevue Economic and Tourism Association (BETA) is a component unit of the City of Bellevue. Following is a summary of the terms and conditions of BETA's loans:

Loans to various community businesses:

	Balance Beginning of Year	New Loans	Payments Received	Balance End of Year
John Herrig	\$ 80,000	\$ ---	\$ 10,000	\$ 70,000
Whathelps, Inc.	69,514	---	10,008	59,506
Potter's Mill	20,487	---	10,161	10,326
	<u>\$ 170,001</u>	<u>\$ ---</u>	<u>\$ 30,169</u>	<u>\$ 139,832</u>

John Herrig - dated December 1, 2004, interest and principal in the amount of \$5,534 at 3% is due semi-annually beginning June 1, 2005, until December 1, 2009, when the interest rate and payment amount will be adjusted, secured by a real estate mortgage. Final payment is due December 1, 2014.

\$ 70,000

Whathelps, Inc. - dated July 1, 2005, interest at 3.00%, principal and interest payments in the amount of \$996 are due monthly beginning August 1, 2005 until July 1, 2012, secured by personal guarantees. Accrued interest of \$9,403 was added to the balance of the loan when it was refinanced July 1, 2005.

\$ 59,506

Daryll and Carolyn Eggers, D/B/A Potter's Mill - dated March 18, 2002, interest at 3.75% and will be adjusted annually. Principal and interest payments of \$10,724 are due the 18th day of each March, unsecured. Final payment is due March 18, 2007.

\$ 10,326

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 14 - Prior Period Adjustment:

During the year ended June 30, 2004, the Electric – Capital Improvement Fund loaned \$400,000 to the Water Fund. This amount was erroneously recorded by management as a transfer in prior financial statements. The reclassification of this amount from a transfer to an interfund loan has no effect on beginning fund balance. See Schedules 3 and 4 for further details.

Note 15 – Subsequent Events/Commitments:

Subsequent to year end, the City approved contracts totaling \$553,657 for the Walkways for Life project which includes the Mill Creek Trail and Downtown Sidewalks projects.

The City also approved a contract for the relocation of water and sewer lines in the amount of \$166,800 in February 2008.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007**

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 642,154	\$ ---	\$ 642,154	\$ 633,236	\$ 633,236	\$ 8,918
Tax increment financing collections	51,096	---	51,096	53,904	53,904	(2,808)
Other city tax	168,422	---	168,422	185,809	185,809	(17,387)
Licenses and permits	13,421	---	13,421	10,500	10,500	2,921
Use of money and property	48,022	56,104	104,126	32,400	32,400	71,726
Intergovernmental	256,036	7,200	263,236	254,884	254,884	8,352
Charges for service	35,284	3,096,458	3,131,742	3,079,930	5,079,930	(1,948,188)
Miscellaneous	62,297	166,002	228,299	64,750	64,750	163,549
Total Receipts	\$ 1,276,732	\$ 3,325,764	\$ 4,602,496	\$ 4,315,413	\$ 6,315,413	\$ (1,712,917)
Disbursements:						
Public safety	\$ 401,721	\$ ---	\$ 401,721	\$ 456,735	\$ 497,198	\$ 95,477
Public works	2,058,014	---	2,058,014	1,842,460	2,265,738	207,724
Culture and recreation	274,190	---	274,190	261,095	294,518	20,328
Community and economic development	6,987	---	6,987	27,000	27,000	20,013
General government	358,703	---	358,703	290,495	359,923	1,220
Debt service	440,669	---	440,669	202,351	202,351	(238,318)
Capital projects	---	---	---	---	383,728	383,728
Business type activities	---	4,132,376	4,132,376	4,726,805	5,488,325	1,355,949
Total Disbursements	\$ 3,540,284	\$ 4,132,376	\$ 7,672,660	\$ 7,806,941	\$ 9,518,781	\$ 1,846,121

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)-
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007**

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (2,263,552)	\$ (806,612)	\$ (3,070,164)	\$ (3,491,528)	\$ (3,203,368)	\$ 133,204
Other Financing Sources (Uses), Net	2,003,357	1,026,223	3,029,580	2,875,000	2,875,000	154,580
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under)	\$ (260,195)	\$ 219,611	\$ (40,584)	\$ (616,528)	\$ (328,368)	\$ 287,784
Disbursements and Other Financing Uses						
Balances Beginning of Year	674,447	927,838	1,602,285	1,880,673	1,880,673	(278,388)
Balances End of Year	\$ 414,252	\$ 1,147,449	\$ 1,561,701	\$ 1,264,145	\$ 1,552,305	\$ 9,396

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING**

JUNE 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$2,000,000 and budgeted disbursements by \$1,711,840. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function.

**OTHER
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue			Capital Projects	
	Road Use Tax	Employee Benefits	Fire Department Gift Fund	Park Improvement	Total
Receipts:					
Property tax	\$ ---	\$ 109,067	\$ ---	\$ ---	\$ 109,067
Use of money and property	---	2,929	1,798	1,270	5,997
Intergovernmental	195,860	---	---	---	195,860
Miscellaneous	---	---	28,177	6,125	34,302
Total Receipts	\$ 195,860	\$ 111,996	\$ 29,975	\$ 7,395	\$ 345,226
Disbursements:					
Operating:					
Public safety	\$ ---	\$ ---	\$ 2,505	\$ ---	\$ 2,505
Public works	239,735	---	---	---	239,735
Culture and recreation	---	---	---	13,656	13,656
Total Disbursements	\$ 239,735	\$ ---	\$ 2,505	\$ 13,656	\$ 255,896
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (43,875)	\$ 111,996	\$ 27,470	\$ (6,261)	\$ 89,330
Other Financing Sources (Uses):					
Operating transfers out	---	(111,996)	---	---	(111,996)
Net Change in Cash Balances	\$ (43,875)	\$ ---	\$ 27,470	\$ (6,261)	\$ (22,666)
Cash Balances Beginning of Year	35,785	---	34,750	23,206	93,741
Cash Balances End of Year	\$ (8,090)	\$ ---	\$ 62,220	\$ 16,945	\$ 71,075
Cash Basis Fund Balances:					
Unreserved:					
Special revenue funds	\$ (8,090)	\$ ---	\$ 62,220	\$ ---	\$ 54,130
Capital projects fund	---	---	---	16,945	16,945
Total Cash Basis Fund Balances	\$ (8,090)	\$ ---	\$ 62,220	\$ 16,945	\$ 71,075

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES – NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Sanitation	Ambulance	Ambulance Gift Fund	Customer Deposits	Total
	-----	-----	-----	-----	-----
Operating Receipts:					
Charges for service	\$ 259,818	\$ 92,923	\$ ---	\$ ---	\$ 352,741
Miscellaneous	3,467	2,966	---	11,106	17,539
	-----	-----	-----	-----	-----
Total Operating Receipts	\$ 263,285	\$ 95,889	\$ ---	\$ 11,106	\$ 370,280
	-----	-----	-----	-----	-----
Operating Disbursements:					
Business type activities	\$ 235,216	\$ 65,285	\$ 5,134	\$ 8,170	\$ 313,805
	-----	-----	-----	-----	-----
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ 28,069	\$ 30,604	\$ (5,134)	\$ 2,936	\$ 56,475
	-----	-----	-----	-----	-----
Non-Operating Receipts (Disbursements):					
Intergovernmental	\$ ---	\$ 7,200	\$ ---	\$ ---	\$ 7,200
Interest on investments	744	530	1,027	1,256	3,557
Contributions	---	---	24,168	---	24,168
	-----	-----	-----	-----	-----
Total Non-Operating Receipts (Disbursements)	\$ 744	\$ 7,730	\$ 25,195	\$ 1,256	\$ 34,925
	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 28,813	\$ 38,334	\$ 20,061	\$ 4,192	\$ 91,400
	-----	-----	-----	-----	-----
Other Financing Sources (Uses):					
Operating transfers out	(27,066)	(9,022)	---	---	(36,088)
	-----	-----	-----	-----	-----
Net Change in Cash Balances	\$ 1,747	\$ 29,312	\$ 20,061	\$ 4,192	\$ 55,312
	-----	-----	-----	-----	-----
Cash Balances Beginning of Year	18,403	6,848	16,607	22,020	63,878
	-----	-----	-----	-----	-----
Cash Balances End of Year	\$ 20,150	\$ 36,160	\$ 36,668	\$ 26,212	\$ 119,190
	=====	=====	=====	=====	=====
Cash Basis Fund Balances:					
Unreserved	\$ 20,150	\$ 36,160	\$ 36,668	\$ 26,212	\$ 119,190
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Sewer Improvement Note: Bankers Trust	January 1, 2000	4.70%-5.60%	\$ 400,000	\$ 195,000	\$ ---	\$ 35,000	\$ 160,000	\$ 10,573	\$ ---
Fire Truck Note: Bellevue State Bank	May 10, 1999	4.15%	200,000	68,999	---	22,062	46,937	2,637	---
Fire Station Note: Maquoketa Valley Electric Cooperative	July 23, 2001	---	102,467	61,480	---	10,246	51,234	---	---
Community/Senior Center Note:	December 29, 2003	3.19%	200,000	120,000	---	40,000	80,000	3,828	---
Street Improvement Note: Bellevue State Bank	August 15, 2005	3.49%	200,000	160,000	---	40,000	120,000	5,584	---
Equipment Note: Iowa Bank	August 1, 2006	4.50%	79,580	---	79,580	15,916	63,664	3,044	---
Street/Water/Sewer Improvements Note: Bankers Trust	September 1, 2006	3.90%-4.30%	1,850,000	---	1,850,000	165,000	1,685,000	57,097	---
Total General Obligation				\$ 605,479	\$ 1,929,580	\$ 328,224	\$ 2,206,835	\$ 82,763	\$ ---

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue Notes:									
Sewer Note:									
Bankers Trust	February 1, 1999	4.10%-5.00%	1,700,000	\$ 1,040,000	\$ ---	\$ 110,000	\$ 930,000	\$ 49,215	\$ ---
Cable TV Notes:									
Bellevue State Bank	December 5, 2005	5.53%	80,000	80,000	550,000	---	630,000	18,047	---
Iowa Bank	December 5, 2005	5.53%	80,000	80,000	550,000	---	630,000	18,047	---
Total Revenue Notes				\$ 1,200,000	\$ 1,100,000	\$ 110,000	\$ 2,190,000	\$ 85,309	\$ ---
Other Obligations:									
General Fund - Interfund Loan	February 1, 2004	---	240,886	\$ 168,619	\$ ---	\$ 24,089	\$ 144,530	\$ ---	\$ ---
Water Fund - Interfund Loan*	June 30, 2004	---	400,000	400,000	---	40,000	360,000	---	---
Total Other Obligations				\$ 568,619	\$ ---	\$ 64,089	\$ 504,530	\$ ---	\$ ---

* See note 14

SCHEDULE "4"

CITY OF BELLEVUE
BELLEVUE, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2007

General Obligation Notes

Year Ending June 30	Fire Truck		Sewer Improvement		Fire Station		Community/Senior Center	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
	Issued May 10, 1999		Issued January 1, 2000		Issued July 23, 2001		Issued December 29, 2003	
2008	4.15%	\$ 22,987	5.30%	\$ 35,000	.00%	\$ 10,247	3.19%	\$ 40,000
2009	4.15%	23,950	5.40%	40,000	.00%	10,247	3.19%	40,000
2010	---	---	5.50%	40,000	.00%	10,247	---	---
2011	---	---	5.60%	45,000	.00%	10,247	---	---
2012	---	---	---	---	.00%	10,246	---	---
2013	---	---	---	---	---	---	---	---
2014	---	---	---	---	---	---	---	---
2015	---	---	---	---	---	---	---	---
2016	---	---	---	---	---	---	---	---
Total		\$ 46,937		\$ 160,000		\$ 51,234		\$ 80,000

See accompanying independent auditor's report.

SCHEDULE "4" (Continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BOND AND NOTE MATURITIES
JUNE 30, 2007**

Year Ending June 30	General Obligation Notes					
	Street Improvement		Equipment		Street, Water, Sewer	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
	Issued August 15, 2005		Issued August 1, 2006		Issued September 1, 2006	
2008	3.49%	\$ 40,000	4.50%	\$ 7,958	3.950%	\$ 160,000
2009	3.49%	40,000	4.50%	15,916	4.000%	165,000
2010	3.49%	40,000	4.50%	15,916	4.050%	170,000
2011	---	---	4.50%	15,916	4.100%	180,000
2012	---	---	4.50%	7,958	4.125%	185,000
2013	---	---	---	---	4.150%	195,000
2014	---	---	---	---	4.200%	200,000
2015	---	---	---	---	4.250%	210,000
2016	---	---	---	---	4.300%	220,000
Total		\$ 120,000		\$ 63,664		\$ 1,685,000
						\$ 2,206,835

See accompanying independent auditor's report.

CITY OF BELLEVUE
BELLEVUE, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2007

Year Ending June 30	Revenue Notes				Other Obligations			
	Sewer		Cable TV		Water/Sewer Improvements		Water	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
	Issued February 1, 1999		Issued December 5, 2005		Issued February 1, 2004		Issued June 30, 2004	
2008	4.50%	\$ 115,000	5.53%	\$ 9,840	---	\$ 24,089	---	\$ 40,000
2009	4.60%	120,000	5.53%	51,055	---	24,089	---	40,000
2010	4.70%	125,000	5.53%	53,951	---	24,089	---	40,000
2011	4.75%	130,000	5.53%	57,011	---	24,089	---	40,000
2012	4.80%	140,000	5.53%	60,245	---	24,089	---	40,000
2013	4.90%	145,000	5.53%	63,663	---	24,085	---	40,000
2014	5.00%	155,000	5.53%	67,274	---	---	---	40,000
2015	---	---	5.53%	71,090	---	---	---	40,000
2016	---	---	5.53%	75,122	---	---	---	40,000
2017	---	---	5.53%	79,384	---	---	---	---
2018	---	---	5.53%	41,365	---	---	---	---
Total		\$ 930,000		\$ 630,000		\$ 144,530		\$ 360,000
								\$ 504,530

SCHEDULE "5"

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS**

	2007	2006	2005	2004	2003	2002
Receipts:						
Property tax	\$ 642,154	\$ 546,571	\$ 498,867	\$ 487,876	\$ 543,041	\$ 557,017
Tax increment financing collections	51,096	76,502	66,993	67,051	37,085	31,188
Other city tax	168,422	144,020	141,572	164,223	173,660	144,022
Licenses and permits	13,421	11,327	9,760	4,803	4,780	8,218
Use of money and property	48,022	36,768	19,623	66,214	17,434	20,926
Intergovernmental	256,036	300,198	430,717	262,901	331,270	257,968
Charges for services	35,284	37,140	27,336	23,310	24,672	25,361
Miscellaneous	62,297	91,906	95,226	147,064	47,042	48,506
Total	\$ 1,276,732	\$ 1,244,432	\$ 1,290,094	\$ 1,223,442	\$ 1,178,984	\$ 1,093,206
Disbursements:						
Operating:						
Public safety	\$ 401,721	\$ 383,556	\$ 358,504	\$ 374,221	\$ 354,078	\$ 309,035
Public works	2,048,764	576,783	336,235	292,279	211,154	265,107
Culture and recreation	274,190	273,144	373,284	552,543	253,251	22,437
Community and economic development	6,987	10,055	12,630	9,259	18,112	10,544
General government	358,703	397,234	259,011	259,108	277,566	258,557
Debt service	440,669	200,076	182,654	199,858	237,793	219,053
Capital projects	---	---	---	50,520	---	---
Total	\$ 3,531,034	\$ 1,840,848	\$ 1,522,318	\$ 1,737,788	\$ 1,351,954	\$ 1,084,733

See accompanying independent auditor's report.

O'CONNOR, BROOKS & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated May 23, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included a disclaimer of opinion on the required supplementary information including Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bellevue's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Bellevue's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bellevue's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bellevue's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Bellevue's financial statements that is more than inconsequential will not be prevented or detected by the City of Bellevue's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Bellevue's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07, I-B-07, I-C-07, I-D-07, and I-E-07 are material weaknesses. These deficiencies were included in our previous communication of internal control related matters.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Bellevue's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Bellevue's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bellevue and other parties to whom the City of Bellevue may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bellevue during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa

May 23, 2008

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

- I-A-07 Segregation of Duties - One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the individual who reconciles the City's checking account is also authorized to sign checks.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. We recommend that the bank statements continue to be delivered directly to the City Administrator for review before being given to the individual responsible for the account reconciliations.

Response - We will investigate this.

Conclusion - Response accepted.

- I-B-07 Vendors - The City Clerk is able to add new vendors to the City's records without prior approval of the City Council.

Recommendation - The City should require pre-approval of the City Council for all additions to the City's vendor listing, where possible. If pre-approval of the City Council is not possible, the City Administrator should verify the propriety of the vendor. On a monthly basis, any new vendors that have been added to the City's records should be approved by the City Council.

Response - We will investigate ways to implement this change.

Conclusion - Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

Part I: Findings Related to the Financial Statements: (Continued)

- I-C-07 Utility Deposits – Utility payments received after the 21st day of the month are not being deposited in a timely manner.

Recommendation – All monies received should be deposited daily.

Response – We will investigate this.

Conclusion - Response accepted.

- I-D-07 Adjusting Journal Entries – Several adjusting journal entries were proposed to management to represent a fair presentation of the financial statements. Significant adjustments included the reporting of property taxes, loan proceeds, and debt service payments.

Recommendation – We recommend the City implement procedures to reasonably assure that account balances are fairly stated.

Response – We will consider this.

Conclusion – Accept response.

- I-E-07 Prior Period Adjustment – A prior period adjustment was recorded due to an interfund loan being erroneously recorded by management as a transfer in prior financial statements.

Recommendation – We recommend the City implement procedures to reasonably assure that loans and transfers are properly recorded.

Response – We will consider this.

Conclusion – Accept response.

Part II: Other Findings Related to Statutory Reporting:

- II-A-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

Part II: Other Findings Related to Statutory Reporting: (Continued)

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. However, not all minutes were properly signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation - The District should comply with the Code of Iowa and should sign the minutes as required.

Response - We will sign minutes as required.

Conclusion - Response accepted.

I-G-07 Revenue Notes - The provisions of the revenue notes appear to have been met.

II-H-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-I-07 Telecommunication Services - No instances of noncompliance with Chapter 388.10 of the Code of Iowa were noted.

II-J-07 Financial Condition - The Road Use Tax Fund had a deficit balance at June 30, 2007, in the amount of \$8,090.

Recommendation - The City should investigate alternatives to eliminate the deficit in this fund in order to return the fund to a sound financial position.

Response - We will investigate alternatives to eliminate the deficit balance.

Conclusion - Response accepted.

II-K-07 Payment of General Obligation Notes - Certain general obligation notes were paid from the Special Revenue, LOT - Street Improvement Fund and the TIF District Fund. Chapter 384.4 of the Code of Iowa states, in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax must be deposited in the Debt Service Fund."

Recommendation - The City should transfer from the Special Revenue, LOT - Street Improvement Fund and the TIF District Fund to the Debt Service Fund for future funding contributions. Payments for the notes should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.